

(b) ISSUERS.—The amendments made by section 326 shall apply to actions taken after December 31, 1996.

## Subtitle D—Treatment of Accelerated Death Benefits

### SEC. 331. TREATMENT OF ACCELERATED DEATH BENEFITS BY RECIPIENT.

(a) IN GENERAL.—Section 101 (relating to certain death benefits) is amended by adding at the end the following new subsection:

"(g) TREATMENT OF CERTAIN ACCELERATED DEATH BENEFITS.—

"(1) IN GENERAL.—For purposes of this section, the following amounts shall be treated as an amount paid by reason of the death of an insured:

"(A) Any amount received under a life insurance contract on the life of an insured who is a terminally ill individual.

"(B) Any amount received under a life insurance contract on the life of an insured who is a chronically ill individual.

"(2) TREATMENT OF VIATICAL SETTLEMENTS.—

"(A) IN GENERAL.—If any portion of the death benefit under a life insurance contract on the life of an insured described in paragraph (1) is sold or assigned to a viatical settlement provider, the amount paid for the sale or assignment of such portion shall be treated as an amount paid under the life insurance contract by reason of the death of such insured.

"(B) VIATICAL SETTLEMENT PROVIDER.—

"(i) IN GENERAL.—The term Viatical settlement provider means any person regularly engaged in the trade or business of purchasing, or taking assignments of, life insurance contracts on the lives of insureds described in paragraph (1) if—

"(I) such person is licensed for such purposes (with respect to insureds described in the same subparagraph of paragraph (1) as the insured) in the State in which the insured resides, or

"(II) in the case of an insured who resides in a State not requiring the licensing of such persons for such purposes with respect to such insured, such person meets the

requirements of  
clause (ii) or (iii), whichever applies to  
such  
insured.

"(ii) TERMINALLY ILL INSURED. ~~—A~~ person  
meets  
the requirements of this clause with  
respect to an  
insured who is a terminally ill individual  
if such  
person ~~n—~~

"(I) meets the requirements of  
sections 8 and  
9 of the Viatical Settlements Model Act  
of the  
National Association of Insurance  
Commissioners,  
and

"(II) meets the requirements of the  
Model  
Regulations of the National Association  
of Insurance  
Commissioners (relating to  
standards for  
evaluation of reasonable payments) in  
determining